

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 FEA-02 INT-08 SCI-06 FPC-01 AID-20 COME-00

EB-11 FRB-02 TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06

SIL-01 OMB-01 DRC-01 /172 W
----- 106489

R 251010Z JAN 74

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 536

INFO AMEMBASSY TOKYO

AMEMBASSY CANBERRA

LIMITED OFFICIAL USE JAKARTA 1097

E.O. 11652: N/A

TAGS: EMIN, ID

SUBJECT: ALCOA ANNOUNCES DECISION TO PRODUCE ALUMINA IN INDONESIA

REF: JAKARTA 0284

BEGIN LOU

1. JAMES C POST, PRESIDENT DIRECTOR, ALCOA MINTERALS OF INDONESIA CALLED ON AMBASSADOR JAN 24 TO ADVISE THAT GROUP OF ALCOA OFFICIALS PRESENTED LETTER TO GOI MINISTER OF MINES SADLI MONDAY JAN 21 FROM ALCOA BOARD CHAIRMAN STATING THAT COMPANY HAD SUFFICIENT CONFIDENCE IN RESULTS OF EXPLORATION EFFORTS TO HAVE DECIDED TO DESIGN AND CONSTRUCT A MAJOR BAUXITE REFINING INSTALLATION IN WEST KALIMANTAN. WHILE ALCOA AGREEMENT WITH GOI CALLS FOR NOTIFICATION OF FUTURE PLANS BY NOV 1974, LETTER IN FACT CONSTITUTED PARTIAL OFFICIAL NOTIFICATION PRIOR TO THAT DATE. LETTER ALSO SAID THAT ALCOA TO
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NOTIFY GOI PRIOR NOV 1974 OF EXPLORATION AREAS TO BE

RELINQUISHED AS ALSO REQUIRED BY ITS AGREEMENT. FINALLY
LETTER ALSO SAID TO CONTAIN REFERENCE TO ALCOA INTEREST IN EX-
PLORING POSSIBLE ROLE FOR ALCOA ALUMINA PRODUCTION FROM WEST
KALIMANTAN FOR ASAHAN ALUMINUM PROJECT. ALCOA OFFICIALS HAD DRAFT
PRESS RELEASE AND WANTED GOI CONCURRENCE. SADLI SAID HE HAD NO
OBJECTION TO PRESS RELEASE BUT WOULD HAVE TO CHECK AND DISCUSS
WITH OTHERS JUST WHAT GOI WANTED TO HAVE RELEASED.

2. ON TUESDAY JAN 22 GOI ADVISED ALCOA THAT THEY PRE-
FERRED NOT RPT NOT HAVE ANY MENTION OF TONNAGE FIGURE AND
NO REFERENCE TO POSSIBLE INTEREST IN ASAHAN EVEN THOUGH GOI
WANT ALCOA IN ASAHAN PROJECT. SUBSEQUENTLY GOI DRAFTED OWN
RELEASE WHICH REPRODUCED BELOW. GOI INFORMED ALCOA THAT
IT HAD NO OBJECTION TO PRESS ANNOUNCEMENT BY ALCOA IN U.S.
AND ELSEWHERE CONTAINING MORE SPECIFICS.

END LOU

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REPRODUCED HEREWITH IS GOI PRESS RELEASE MADE PUBLIC JAN 24
UNIMPORTANT WORDS OMITTED:

BRIGHT POSSIBILITIES FOR DEVELOPMENT BAUXITE MINING AND
ALUMINA REFINING IN WEST KALIMANTAN

ALCOA WHICH HOLDS MINING CONTRACT OF WORK AGREEMENT
WITH GOVERNMENT (OF REPUBLIC OF INDONESIA) TO DEVELOP BAUXITE
DEPOSITS IN INDONESIA, THROUGH ITS REPRESENTATIVES HAVE ADVISED
MINISTER OF MINES ITS EXPLORATION EFFORTS WEST KALIMANTAN
HAVE GIVEN ENCOURAGING FINDINGS. BAUXITE DEPOSITS OF
SUFFICIENT QUANTITY AND QUALITY HAVE BEEN DISCOVERED AND
ALCOA PRESENTLY COMPLETING ITS EVALUATIONS FOR COMMENCE-
MENT OF MINING ENTERPRISE AND CONSTRUCTION OF ALUMINA REFINERY.

CONSTRUCTION IS ANTICIPATED TO PROVIDE MAJOR DEVELOP-
MENTS OF PART OF WEST KALIMANTAN WITH VIEW THAT EXTENSIVE
INFRA-STRUCTURE REQUIRED TO BE BUILT FOR OPERATIONAL PURPOSES.

INFRA-STRUCTURE INCLUDES PORT, ROADS, AND TOWNSHIP.
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EXACT LOCATION OF PROJECT'S CONSTRUCTION CONCENTRA-
TION UNDER FINAL STUDIES AT PRESENT TIME AND IS EXPECTED
TO BE NOTIFIED TO MINISTER OF MINES IN NEAR FUTURE.

AS IS KNOWN, ALCOA SIGNED CONTRACT OF WORK AGREE-
MENT WITH R.I. GOVERNMENT IN 1969 AND, UNDER TERMS OF AGREEMENT,
ALCOA HAS SUBMIT EXPLORATION FINDINGS AND EVALUATIONS NOT LATER

THAN 1 NOV 1974 TO GOVERNMENT.

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THIS IS ANOTHER VERSION OF MORE SPECIFIC WORDING PROPOSED BY ALCOA. ACCORDING POST WEST KALIMANTAN FACILITY WILL BE DESIGNED TO PRODUCE 800,000 TONS ALUMINA ANNUALLY AND WOULD BE LARGEST SUCH FACILITY IN WORLD, THOUGH AUSTRALIAN PROJECT UNDERGOING EXPANSION AT THIS TIME MIGHT BE LARGER WHEN COMPLETED. PROJECT WILL EMPLOY SOME 2000 WORKERS DURING CONSTRUCTION PHASE AND SOME 1300 TO 1500 IN PRODUCTION. HE SAID THAT IF NEGOTIATIONS WITH JAPANESE ABOUT ASAHAN ARE SUCCESSFUL ALCOA WOULD SUPPLY SOME 400,000 TONS OF ALUMINA ANNUALLY TO MEET REQUIREMENTS FOR PROPOSED ALUMINUM PRODUCTION OF SOME 250,000 TONS ANNUALLY. POST SAID THAT FINAL COST FIGURES ARE NOT KNOWN AT THIS TIME BECAUSE DECISION ON LOCATION OF FACILITY, HARBOR AND CARGO HANDLING EQUIPMENT NOT YET MADE BUT IT SAFE TO SAY PROJECT WOULD COST "SEVERAL HUNDRED MILLION DOLLARS". IN RESPONSE TO QUESTION POST SAID THAT CONTRACT WITH GOI CALLS FOR PRODUCTION TO BEGIN 48 MONTHS AFTER NOV 1974 NOTIFICATION TO GOI OF ALCOA'S INTENTIONS, AND ADDED THAT HE EXPECTED PRODUCTION TO BEGIN SOMETIME IN 1977. HE NOTED THAT GOI OFFICIALS REPEATEDLY ASKED QUESTIONS CONCERNING SOURCE OF POWER FOR PROJECT AND POST SAID ALCOA ASSUMES LIMITED POWER NEEDS WILL BE MET ADDING THAT FUEL COSTS WILL HAVE RISEN FOR ALL PRODUCERS AND PRICE OF PRODUCT WILL REFLECT THOSE COSTS.

3. COMMENT: ALCOA'S DECISION TO TIP ITS HAND AT THIS POINT WE BELIEVE PREDOMINANTLY MOTIVATED BY NEED TO PLAY STRONG CARD FOR PARTICIPATION IN ASAHAN ALUMINUM SMELTER NOW THAT BASIC AGREEMENT ON ASAHAN POWER AND SMELTER PROJECT HAS BEEN LIMITED OFFICIAL USE

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ANNOUNCED BY GOI AND JAPANESE. INCIDENTALLY OF COURSE ANNOUNCEMENT GIVES GOI OPPORTUNITY TO ILLUSTRATE THAT MAJOR INVESTMENTS DECISIONS IN INDONESIA NOT INCONSISTENT WITH EVENTS OF PAST TWO WEEKS.
GALBRAITH

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